

City of Baxter

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the period
July 1, 2015 through June 30, 2016

Table of Contents

	<u>Page</u>
Officials	3
Independent Accountant's Report on Applying Agreed-Upon Procedures	4-6
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A 8
Financial Condition	B 8
Certified Budget	C 9
Bank Reconciliations	D 9
Transfers	E 9
Financial Report	F 9

City of Baxter
Officials
(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Stephen C. Smith	Mayor	Jan 2016
Matt Wormley (Resigned July 11, 2016)	Mayor Pro Tem	Jan 2018
Bryan DeJong	Council Member	Jan 2018
Jason Robinson (Mar 1, 2015)	Council Member	Jan 2016
Justin Lisk	Council Member	Jan 2016
Dan Kunkel	Council Member	Jan 2018
Peg Kimberley	City Clerk	Indefinite
Randall Caldwell (Feb 9, 2015)	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Stephen C. Smith	Mayor	Jan 2018
Bryan DeJong	Mayor Pro Tem	Jan 2018
Jason Robinson	Council Member	Jan 2020
Josh Meckley (August 8, 2016)	Council Member	Jan 2018
Steve Wright	Council Member	Jan 2020
Dan Kunkel	Council Member	Jan 2018
Peg Kimberley	City Clerk	Indefinite
Randall Caldwell	Attorney	Indefinite



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS

4949 Pleasant Street, Suite 104

West Des Moines, Iowa 50266

(515)-223-4841

FAX: (515)-223-0851

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Baxter for the period July 1, 2015 through June 30, 2016. The City of Baxter's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. We reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduce TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.196(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended chart of accounts.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified six recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Baxter, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Baxter and other parties to whom the City of Baxter may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Baxter during the course of our agreed upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
December 7, 2016

Detailed Recommendations

City of Baxter

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - record keeping, preparation and distribution.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.
- (8) Long-term debt - maintaining long-term debt records.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the city should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Financial Condition - The City had deficit balances at June 30, 2016 as follows:

Fund

Governmental:

General fund	\$ 24,350
Debt services	14,527
Capital projects	87,323

Enterprise:

Water fund	68,727
------------	--------

Recommendation - The City should look into why these funds have deficits and make necessary adjustments.

City of Baxter

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (C) Certified Budget - Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the Capital Projects, and Community & Economic Development functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.” In addition amounts reflected in the books for budgeted amounts didn’t agree to the approved amended budget.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget and the amounts recognized on the books should agree to the actual budget.

- (D) Bank Reconciliations - Bank reconciliations are not reviewed by an independent person.

Recommendation - To insure the accuracy of the monthly bank reconciliation, the bank reconciliations should be reviewed, initialed and dated by an independent person.

- (E) Transfers - Transfers are made by using a check/deposit method. Both sides of the transaction remain on the outstanding check list of the bank reconciliation.

Recommendation - Transfers should be made by journal entry. This will eliminate their appearance on the outstanding check list. All transfer entries now on the outstanding list should be removed.

- (F) Financial Report - The outstanding obligations report does not agree to the Part V of the annual financial report.

Recommendation - The two reports should be in agreement before filing.